- **Obey Prepared Statement**

- **Bill Text**

- **Senate Bill Summary**

The House passed H.R. 1586, the Education Jobs and Medicaid Assistance Act, by a vote of 247 to 161 on August 10, 2010. The Senate passed the bill on August 5, 2010. This bill provides a total of $26.1 billion in funding: $10 billion for an Education Jobs Fund to save an estimated 160,000 education jobs, and $16.1 billion in additional Medicaid assistance to the states. The bill is fully offset. According to CBO, the bill will actually reduce the deficit by $1.4 billion over 10 years.

The bill contains $27.5 billion in offsets, including $9.8 billion from closing tax loopholes that encourage corporations to ship jobs overseas, $11.9 billion from achieving savings in the Food Stamp program beginning on March 31, 2014, $2.8 billion from outlay savings through numerous rescissions, $2.0 billion from the addition of treatment of certain drugs for the computation of the Medicaid AMP, and $1.0 billion from eliminating the advanced EITC.

Following is an overview of the provisions of the bill.

EDUCATION JOBS FUND ($10 Billion)

The bill provides $10 billion for additional support to local school districts to prevent imminent layoffs. The latest estimates from the Department of Education are that **this fund will help keep 161,000 educators employed this coming school year.**

The bill language is virtually identical to the language that has previously passed the House.

The fund will be administered by the Department of Education. After reviewing state applications, the Department will make formula allocations to states based on total population and school age population. States will then distribute the funds to school districts through their respective funding formulas or based on each district's share of Title I funds. In the case that a Governor does not submit an approvable application for funds to the Department of Education, the bill directs the Secretary of Education to bypass the state government and make awards directly to other entities within the state.

The bill includes provisions to ensure that states use these funds for preservation of jobs serving elementary and secondary education. Amounts from the Education Jobs Fund may not be used for purposes such as equipment, utilities, renovation, or transportation. The bill also prohibits states from using any of these funds to add to "Rainy-Day Funds" or to pay off state debt.

MEDICAID ASSISTANCE ($16.1 Billion)

Under the Recovery Act, enacted in February 2009, the federal Medicaid matching rate was increased by 6.2 percentage points for all states, and by additional percentage points for states with high unemployment. These temporary provisions were enacted in response the state fiscal crisis -- with the increased Medicaid caseloads and decreasing state revenues resulting from the deep recession. The provisions are scheduled to expire on December 31, 2010.

This bill would continue the additional federal assistance for six months (from January 1, 2011 through June 30, 2011), but would phase the level of assistance down. For January-March 2011, the federal Medicaid matching rate would be increased by 3.2 percentage points for all states, and for April-June 2011, the federal matching rate would be increased by 1.2 percentage points for all states. For this six-month period, states with high unemployment would continue to receive the additional percentage points, as they do under current law. These provisions will ensure that states continue to receive increases throughout state fiscal year 2011 (which runs from July 1, 2010 through June 30, 2011.)

According to an analysis by the Economic Policy Institute, the Medicaid funds will save and create 158,000 jobs, including preventing the layoff of police officers and firefighters. More than half these jobs saved and created will be in the private sector, including workers who contract for or supply services to state and local governments.

OFFSETS (Totaling $27.5 Billion)

Closing Loopholes That Encourage Corporations to Ship Jobs Overseas (Offset of $9.8 Billion)

- Eliminates tax provisions that encourage companies to ship jobs overseas, beginning in 2011.
- The foreign tax credit is designed to prevent double taxation (i.e., full taxation by both a foreign country and by the United States) of income earned abroad. However, companies have devised schemes essentially shifting the burden of their foreign income tax onto the U.S. Federal government. These transactions enable companies to operate offshore with essentially little or no tax liability to either the U.S. or the foreign government.
- This abuse of the foreign tax credit encourages companies to move jobs offshore to avoid U.S. taxation.
- Foreign tax credit abuse is among the IRS's top compliance concerns for large corporate taxpayers.
- In 2004, U.S. multinational corporations paid an effective U.S. tax rate of just 2% on their $700 billion of foreign active earnings.
- Includes Obama Administration provisions to crack down on corporations that split foreign tax credits from the income subject to foreign tax, allowing them to take advantage of the foreign tax credit to reduce their U.S. taxes even though the foreign income remains overseas.
- Also eliminates unintended tax incentives for companies to move U.S. assets overseas, ensuring that foreign tax credits are not provided for income that is not subject to U.S. tax.
- Limits the use of aggressive tax planning techniques that take advantage of anti-abuse rules in the tax code to avoid U.S. tax and generate additional foreign tax credits.
- Republicans have fought to keep, and even expand, these kinds of loopholes for years.

Food Stamps (Offset of $11.9 Billion, Beginning March 31, 2014)

Under the bill, effective March 31, 2014, food stamp benefits will return to the levels that individuals would have received under pre-Recovery Act law. This modification is estimated to save $11.9 billion over ten years.

Rescissions (Offset of $2.8 Billion in Outlay Savings)

The bill includes rescissions from programs that no longer require funding, have sufficient funding, or have funding that probably cannot be spent before the authority to do so expires – with rescissions of budget authority totaling $6.7 billion, resulting in outlay savings of $2.8 billion.

Rescissions include nearly $2.25 billion in budget authority from Recovery Act programs, over $2.3 billion in budget authority in Defense Department funds unrelated to current military efforts, and about $2.15 billion in budget authority from other agencies. The Department of Education’s Race to the Top, charter school fund, and the Teacher Incentive Fund are not included among these rescissions.

Rescissions include:

- $2.2 billion in highway contract authority.
- $1.8 billion in funds appropriated to the Department of Defense for programs that have been terminated or for systems no longer needed.
- $1.5 billion in Recovery Act funding provided to the Department of Energy.
- $500 million in funds appropriated to the Department of Defense for military construction projects that achieved bid savings.

- $302 million in Recovery Act funding provided to the Department of Commerce for broadband grants.
- $260.5 million in Recovery Act funding provided to the Department of Defense.
- $122 million in funding provided to the Department of Agriculture for past emergencies.
- $100 million in funding appropriated to the General Services Administration.
- $82 million in funding appropriated to the Department of Education Student Aid Administration.
- $70 million in funding appropriated to the Department of State and USAID for the Civilian Stabilization Initiative.

Adjustment of Calculation of Medicaid Average Manufacturing Price for Certain Drugs (Offset of $2.0 Billion)

Under current law, the calculation of the Medicaid average manufacturing price (AMP) excludes certain payments and rebates if received from or provided to entities other than retail community pharmacies. The bill provides an exception to that exclusion for inhalation, infusion, or injectable drugs that are not generally dispensed through retail community pharmacies. This will ensure an accurate calculation of AMP for these types of drugs. The provision is estimated to save $2 billion over 10 years.

Elimination of Advanced EITC (Offset of $1.0 Billion)

Presently, low- and moderate-income individuals may qualify for a refundable earned income tax credit (EITC). Individuals have the option of requesting advanced payments of the EITC throughout the year by having their payments of withheld income reduced by their employer. The President’s FY 2011 budget proposes to eliminate the advanced EITC payment option, and the bill incorporates that proposal. The provision is estimated to save $1.0 billion over 10 years.